

Boeing and AVIC to Open Manufacturing Innovation Center in China; Boeing Awards 737 Rudder Contract to AVIC's CCAC

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Partnership will enhance AVIC capability and increase value in Boeing supply chain

LE BOURGET, France, June 20, 2011 /PRNewswire/ -- Boeing (NYSE: BA) and Aviation Industry Corporation of China (AVIC), China's largest state-owned aviation company, today announced that they will open the AVIC-Boeing Manufacturing Innovation Center (MIC) in Xi'an, Shaanxi Province, China. Geng Ruguang, executive vice president of AVIC, and Ray Conner, vice president and general manager of Boeing Commercial Airplanes Supply Chain Management & Operations, signed the agreement on behalf of their respective companies.

The AVIC-Boeing MIC will enhance Boeing's production system by increasing AVIC's efficiency and capacity to supply high-quality parts for Boeing airplanes. The MIC will also support AVIC's goals of improving its manufacturing and technological capabilities and the competitiveness of its affiliated factories to achieve global Tier-1 supplier status. It was also announced today that Boeing has awarded a contract to produce 737 rudders to Chengfei Commercial Aircraft Co. (CCAC), an AVIC company located in Chengdu, China. That contract will serve as the initial work statement for the MIC.

"AVIC has established a long-term partnership with Boeing, and I am very delighted to see that both sides have committed to establish the AVIC-Boeing Manufacturing Innovation Center," said AVIC President Lin Zuoming. "This agreement marks a new step in our companies' mutual cooperation and has great significance in deepening our relationship."

"As a company in a global market poised for tremendous growth, we need to increase both the capacity and capabilities of our supply chain," said Boeing Commercial Airplanes President and CEO Jim Albaugh. "The AVIC-Boeing Manufacturing Innovation Center is consistent with our approach of partnering with suppliers to enhance their quality and productivity. AVIC has been a valuable supplier partner to Boeing for many years. This agreement is an opportunity to advance their capabilities and add value for Boeing and our customers."

The MIC, which will open by early 2012, will provide classroom training for AVIC employees and hands-on training for workers in AVIC factories. The training will replicate Boeing's successful production methods for sustainable quality to strengthen AVIC's manufacturing and meet Boeing's quality, cost and delivery requirements.

Boeing has been working with AVIC for more than 20 years; AVIC facilities currently manufacture parts for the 737, 747-8 and 787 programs. As the largest foreign customer for China's aviation industry, Boeing has purchased more than US \$1.5 billion in aviation hardware and services from China since the 1980s and expects to double its annual procurement in coming years.

AVIC is centered on aviation but provides whole-value services to customers in many fields from research and development to operations, manufacturing and finance. Its business units include defense, transport aircraft, engine, helicopter, avionics, electromechanical systems, general aviation, flight test, trade and logistics, asset management, financial services, engineering planning and construction, and automotive, among others. It owns nearly 200 member companies, more than 20 listed companies and has approximately 400,000 employees. In 2010, AVIC ranked 330th among the newly published Fortune Top 500 enterprises.

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